



Agenda Date: 04/11/01

Agenda Item: 5A

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

WATER AND WASTEWATER

IN THE MATTER OF THE PETITION OF)	ORDER ADOPTING
THE CITY OF TRENTON, TRENTON)	INITIAL DECISION
WATER WORKS, FOR AN INCREASE IN)	
RATES FOR WATER SERVICE)	
)	BPU DOCKET NO. WR00020096
	OAL DOCKET NO. PUCRS-02124

(SERVICE LIST ATTACHED)

BY THE BOARD:

On February 24, 2000, City of Trenton on behalf of its water department, Trenton Water Works (Petitioner or TWW), filed a petition with the Board of Public Utilities (Board or BPU) for a revision in its rates and charges for water service amounting to an increase of \$926,000 or 5.6% above a rate increase granted by the Local Finance Board (LFB), within the Department of Community Affairs, on October 15, 1998.¹

Petitioner operates a municipal public water utility engaged in the production, treatment and distribution of water within its defined service territory including the City of Trenton, the Township of Ewing, and parts of the Townships of Hamilton, Lawrence and Hopewell in the County of Mercer. Petitioner serves approximately 60,000 customers. The Board regulates the rates for approximately 35,700 customers served by TWW outside its municipal boundaries.

The matter was transferred to the Office of Administrative Law (OAL) and was assigned to Administrative Law Judge (ALJ) Louis G. McAfoos, III. The Board issued its first suspension order suspending the effective date of the proposed rate increase until July 25, 1999. The Board issued a second suspension order on July 6, 2000 further suspending the effective date of the increase until November 25, 2000.

¹ In granting a 37% interim rate increase on October 15, 1998, the LFB directed TWW to petition the Board for permanent rate approval within a twelve-month period. On November 10, 1999, the LFB granted Petitioner's request for a twelve-month extension to file with the Board and on December 13, 2000, the LFB granted an additional 120-day extension, which will expire on April 12, 2001.

A pre-hearing conference was held in this matter on June 12, 2000. Upon proper notice, a public hearing was held on September 11, 2000, at the Hamilton Township municipal building. One member of the public was present and did not oppose the rate increase. The Township of Hamilton was the only municipal intervenor. The municipalities of Ewing, Hopewell and Lawrence did not intervene in this matter.

During the proceeding, Petitioner was served with informational data requests only by the Ratepayer Advocate and Board Staff. After the public hearing, Petitioner, Ratepayer Advocate and Board Staff (Parties) participated in several discovery meetings and engaged in settlement negotiations. As a result of those negotiations, the Parties reached an agreement as to the revenue requirement and tariff design issues and executed a stipulation. The Township of Hamilton has advised by letter dated March 21, 2001, that it does not oppose the settlement.

Administrative Law Judge Louis G. McAfoos, III, issued an Initial Decision on March 26, 2001, recommending adoption of the stipulation executed by the Parties, finding that the Parties have voluntarily agreed to the settlement and that the settlement fully disposes of all issues in controversy and is consistent with law.

The stipulation maintains current rates and makes permanent the LFB approved increases. This will generate the \$27,535,521 revenue requirement stipulated by the Parties in this proceeding. Thus, the Parties have agreed to continue the current LFB approved rates and not to increase rates above those now in effect on an interim basis. As a result, customers will see no change in their current bills. This stipulation formalizes the interim rates set by the LFB by securing the requisite Board approval pursuant to N.J.S.A. 40A:31-23. Except under emergent circumstances or financial difficulty pursuant to N.J.S.A. 40A:5A-25, Petitioner agrees not to file a petition with the Board requesting an increase in rates for water service to become effective prior to October 15, 2002.

Other significant aspects of this settlement are as follows:

1. The test year utilized for purpose of the stipulation is the twelve months ending June 30, 2000.
2. Petitioner's total stipulated revenue requirement in this matter is \$27,535,521.
3. In the event that TWW seeks to change rates or terms and conditions of service to customers regulated by the BPU, it shall file such rate request with the BPU, and should petitioner seek an increase from the Local Finance Board, it shall simultaneously notify and file copies of any such rate request with the BPU.
4. The Parties agree that in order for TWW to continue to provide safe, adequate and proper service to customers, it will seek to do so through a combination of existing employees, new hires, temporary employees, and contracting out. The Parties agree that 177 full time equivalent positions shall be utilized for purposes of developing a revenue requirement.

5. Petitioner agrees to exercise its best efforts to provide audited figures for the most recent twelve month period for all future applications to the Board.
6. The Parties agree, pursuant to paragraph five (5) of the BPU's Order dated November 1, 1990, that Petitioner has conducted an audit of all large water users in the service area and resolved payment problems with regard to such accounts. The Parties further agree that TWW will: (a) develop an appropriate process enabling it to accurately track and record its annual billed revenues as compared to its collected revenues; and (b) take immediate action to bring its uncollectable rate in line with the rates experienced by other New Jersey water utilities of similar size as TWW.
7. It is agreed that TWW should centralize its financial and operating records and improve its record-keeping capabilities.
8. The Parties agree that, pursuant to paragraph four (4) of the Board's November 1, 1990 Order in TWW's last case, Petitioner has prepared a detailed cost-of-service study for this case, including jurisdictional cost allocation and customer class allocation of the jurisdictional revenue requirement. The jurisdictional cost allocation study assigned 66.88% of the revenue required from the rates to jurisdictional customers. The Ratepayer Advocate utilized the jurisdictional cost allocation methodology and allocation factors prepared by TWW to allocate the revenue requirement and assigned 66.85% of the revenue required from rates to jurisdictional customers. The rate design presently in effect assigns 66.7% of the revenue required from rates to jurisdictional customers. Notwithstanding this allocation difference, the Parties agree that there will be no change to the actual service rates and rate structure which were implemented by Petitioner as a result of the Local Finance Board's decision and approval of October 15, 1998.

Based on the above, a residential customer consuming 72,000 gallons per year with a 5/8 inch meter would see no change in the current bill of \$19.77 per month or \$237.22 annually.

The Board has reviewed ALJ Louis G. McAfoos' Initial Decision and the stipulation of the Parties and finds them to be reasonable, in the public interest, and in accordance with law. The Board HEREBY ADOPTS the Initial Decision of ALJ McAfoos as its own, incorporating by reference the terms and conditions as if fully set forth at length herein, and HEREBY ORDERS that the Parties comply with the terms and conditions of the stipulation.

The stipulation includes proposed tariffs conforming to the terms and conditions of the stipulation. The Board has reviewed these tariff pages and HEREBY FINDS them to be

consistent with the terms of the stipulation. The Board HEREBY ACCEPTS the tariff pages, effective for service rendered on and after the date of this Order.

DATED: 4/12/01

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

CAROL J. MURPHY
ACTING PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

ATTEST:

(SIGNED)

FRANCES L. SMITH
SECRETARY